NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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CALIFORNIA TREASURER ANGELIDES CALLS ON CALPERS TO PURSUE ALL ACTIONS NECESSARY TO RECOVER ANY LOSSES TO FUND, TAXPAYERS FROM STOCK OPTION BACKDATING SCHEMES

Angelides Says Disturbing Trend of Improper Options Grants Harms Ordinary Investors, Taxpayers

SACRAMENTO, CA – California Treasurer Phil Angelides today called on the California Public Employees' Retirement System (CalPERS) to take all possible actions to recover any losses to the funds and taxpayers from improper backdating of option grants, a practice that over-inflates executives' pay and leaves shareholders footing the bill. In recent weeks, federal regulators have increased probes into the deceptive backdating and reporting of option grants to executives at a number of large, U.S. companies.

"These backdating schemes are designed to enrich executives at the expense of the pensioners and the hard-working men and women who in good faith invested their savings in our financial markets," Angelides said. "The revelations of improper – and in some cases, illegal – manipulation of option grants should again put investors on notice: we must continue to be vigilant and stand up for our rights as the true owners of companies."

At a meeting today of CalPERS' Investment Committee, Angelides urged the fund to aggressively pursue all avenues – including legal actions against the companies and executives involved – to recoup any stock losses the pension fund has incurred due to improper backdating.

A *Wall Street Journal* investigation published in March highlighted a suspicious trend of stock option grants to executives at six companies, noting that the effective date of the option awards in many cases fell on days when the companies' stock prices were at record or near-record lows. Backdating the options awards to a time when the stock price was lower inflates the value of the option to the executive, shifting company profits which should belong to shareholders to executives, and diluting the value of the shareholders' stock.

In what the *Wall Street Journal* called "one of the most lucrative stock-option grants ever," William W. McGuire, CEO of UnitedHealth Corporation, in 1997, 1999, and 2000 received stock-option grants on the day of each year's lowest stock price and in 2001 received another option grant near the bottom of a dip in stock price. According to the

Wall Street Journal, McGuire has exercised 5 percent of these options, earning a profit near $39 million, and has unexercised options with a March 2006 value of over $700 million.

According to news reports, the Securities and Exchange Commission has expanded its investigation into backdating practices since the *Wall Street Journal* published its investigation in March, and just last week, the U.S. Attorney for the southern district of New York served Monster Worldwide a subpoena regarding its stock option grants.

In response to the wave of corporate scandals earlier this decade that rocked the financial marketplace and cost investors trillions of dollars, Treasurer Angelides has taken the lead in organizing investors in a national movement for corporate reform. Working with investment and pension fund leaders from across the nation, Angelides has fought to recover losses to pension funds and taxpayers due to fraud and misconduct, to clean up corporate boardrooms, to tie executive pay to performance, and to restore confidence in our financial markets.

In 2005, Angelides led CalPERS to oppose the merger of PacifiCare Health Systems and UnitedHealth Group, which contained provisions that could result in $345 million in accelerated options and bonus payouts to PacifiCare's top 39 HMO executives when the merger is finalized.

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